

# Managing Your TSP Account



Thrift Savings Plan  
for Federal Employees

**To get the most out of the Thrift Savings Plan,** you need to take an active role in managing your TSP account. The decisions *you* make, such as how much to contribute, how to invest, whether or not to take a loan, and when and how to withdraw your money, will significantly affect your future TSP benefits.

This leaflet is a short guide to managing your TSP account under the new daily valued TSP record keeping system. It also tells you the forms, materials, and other media to refer to for more detailed information. It covers:

## **Getting Started**

- Starting to contribute or changing the amount of your contributions
- Making “catch-up” contributions
- Transferring money into your TSP account
- How your contributions are allocated among the TSP funds
- Using your TSP PIN
- Designating or changing your beneficiary

## **Planning and Carrying Out Your Investment Strategy**

- Figuring out your retirement needs
- Deciding on your investment strategy
- Distributing your money among the TSP funds
- Reviewing your investment strategy

## **Monitoring Your Account**

- To find out your account balance
- To find out whether your account information is correct
- To correct or update your account information

## **Getting Your Money Out**

- Borrowing from your account
- Making an in-service withdrawal
- Dealing with your account after you separate from service

# Getting Started

## Starting to contribute or changing the amount of your contributions

You may start contributing to your TSP account within 60 days of the date you were hired by the Federal Government. If you miss the opportunity to begin contributing within 60 days of being hired, you can start contributing during an open season; TSP open seasons are April 15 – June 30 and October 15 – December 31.

**To start contributing to the TSP**, you must fill out Form TSP-1, Election Form, and submit it to your agency. Form TSP-1 allows you to specify the percentage of your pay or the dollar amount you want to contribute to your account. Until December 2003, you may contribute up to 13% per pay period if you are a FERS employee; up to 8% per pay period if you are a CSRS employee. These percentages will increase by 1% yearly in December until December 2005, when they will be eliminated entirely. At that point, the highest amount you will be able to contribute will be the IRS elective deferral limit (\$12,000 for 2003; \$15,000 for 2006).

The TSP Election Form (TSP-1) is available from your agency, from the TSP Web site at [www.tsp.gov](http://www.tsp.gov) (in Forms & Publications), or from the TSP Service Office. Some agencies use an electronic version of the Election Form; check with your personnel office.

**To change the amount or percentage** of your pay you are contributing to your account, you must complete a new Form TSP-1 and submit it to your agency during an open season. **To specify how you want to allocate your contributions** to your account, see “Distributing your money among the TSP funds” on page 6.

To find out more about eligibility, TSP open seasons, and other details of the TSP, read the *Summary of the Thrift Savings Plan for Federal Employees*. The Plan Summary is available from your agency personnel office or the TSP Web site.

## Making “catch-up” contributions

If you are **age 50 or older** (or will turn 50 during the calendar year), and you are **contributing the**

**maximum amount** for which you are eligible, you can contribute an additional amount to the TSP from your pay. This “catch-up” contribution increases from a maximum of \$2,000 in 2003 to a maximum of \$5,000 in 2006 and thereafter, as follows:

<u>Year</u>	<u>Catch-Up Amount</u>
2003	\$2,000
2004	\$3,000
2005	\$4,000
2006 and thereafter	\$5,000

(Thus, in 2006, you will be able to contribute as much as \$20,000 to your TSP account.)

To take of advantage of catch-up contributions, fill out the Catch-Up Contribution Election Form (TSP-1-C), which is available from your agency (or use your agency’s electronic version).

Your catch-up contributions will be allocated among the funds in the same proportions as your regular contributions.

## **Transferring money into your TSP account**

Once your account is set up, you may also **transfer into the TSP** balances from your traditional IRA(s) or eligible employer plan(s). Use Form TSP-60, Request for a Transfer Into the TSP, which is available from the TSP Web site or from the TSP Service Office. Form TSP-60 explains the rules and restrictions for transferring money into the TSP.

Your transferred money will be allocated in the same way as your regular contributions.

## **How your contributions are allocated among the TSP funds**

Your TSP contributions are deducted from your pay automatically and sent to the TSP. If you are a new TSP participant or if you have never made a contribution allocation, all contributions to your account will be invested in the G Fund until you make a contribution allocation. See “Distributing your money among the TSP funds” on page 6.

Your contribution allocation will remain in effect until you change it. Your balance in each TSP fund will be represented in shares of that fund which will be valued in dollars; the share price of each fund can change each business day.

## **Using your TSP PIN**

Each TSP participant is mailed a 4-digit Personal Identification Number (PIN) when his or her account is first established. Your PIN is meant to be used on the TSP Web site or the ThriftLine to get information about your account or to make contribution allocations, interfund transfers, or other transactions that affect your account. You should safeguard your PIN to prevent unauthorized access to your account.

If you wish to change your existing PIN to one of your choice, you can do so on the Web site or the ThriftLine, by following the instructions for a PIN change. The change is effective immediately.

If you have lost your PIN, you can request a new one on the TSP Web site or the ThriftLine or by writing to the TSP Service Office. You must include your Social Security number and date of birth in your letter. It takes a week or more to receive a new PIN, and you will not have access to your account in the meantime.

## **Designating or changing your beneficiary**

To designate one or more beneficiaries to receive your TSP account if you die before withdrawing it, fill out Form TSP-3, Designation of Beneficiary, which is available from the TSP Web site or your personnel office, and mail it to the TSP Service Office.

Your participant statement will indicate whether you have a beneficiary designation on file and the date it was signed. Keep your beneficiary designation up to date to reflect changes in your life situation, such as marriage, births, adoptions, divorce — even a change of address for your beneficiaries.

To change an existing beneficiary designation, complete and send in a new Form TSP-3. To cancel your beneficiary designation, you may use Form TSP-3 and write “CANCEL” on it or you may write to the TSP Service Office; include your Social Security

number and date of birth in your letter so we can correctly identify your account.

If you do not have a valid beneficiary designation on file with the TSP (or if you do not wish to file a beneficiary designation), your account will be distributed according to the statutory order of precedence described in the Plan Summary. A will is not a substitute for Form TSP-3 and will not affect the disposition of your TSP account.

## **Planning and Carrying Out Your Investment Strategy**

### **Figuring out your retirement needs**

To help you decide how much to contribute to the TSP, you should estimate how much money you are going to need after you retire. You can use a rule of thumb, such as 70% of your pre-retirement salary, or you can be more precise by listing your expected post-retirement expenses and making projections based on those numbers. You should then consider your other post-retirement sources of income, such as your CSRS annuity or FERS Basic Annuity and Social Security. (Contact your personnel office, the Office of Personnel Management, or the Social Security Administration, as appropriate, for information about these benefits.) Also take into account any other savings, investments, or other assets you may have.

Then go to the Calculators section of the TSP Web site and link to the ASEC Ballpark Estimate calculator to run the numbers. Go back to the TSP Projecting Account Balance Calculator and try out various scenarios for contribution amounts, years until you withdraw your money, and rates of return to get an idea of how much you would have to contribute to the TSP to meet your retirement goals.

### **Deciding on your investment strategy**

Once you have an idea of how much you might need in retirement, you will need to decide how best to get there. Here are some of the things to keep in mind when deciding on an investment strategy:

- Take advantage of the tax advantages — money you contribute to the TSP is tax-deferred until it

is distributed to you, so the more you contribute, the less tax you pay now and the faster your account balance can grow. TSP participants who are paid more than \$92,307 in 2003 should access the Elective Deferral Calculator on the TSP Web site or consult the Fact Sheet “Annual Limit on Elective Deferrals” to determine the most they can contribute without exceeding the IRS cap on tax-deferred contributions (the “elective deferral limit”) before the end of the year. (If you are age 50 or older, you can make catch-up contributions above the IRS cap. See page 2.)

- Maximize matching money — if you are a FERS employee and you contribute at least 5% of your pay per pay period, you will receive Agency Automatic and Matching Contributions adding up to another 5%. You should take full advantage of the match so that you don’t lose out on money that cannot be recaptured.
- Read about the five TSP funds in the Plan Summary and look at their historical returns. Although past performance is no guarantee of future returns, you can get some indication of the risks and returns of each fund by seeing how it has performed in the past.
- Consider your time horizon — the younger you are, the more time you have to make up for losses in riskier investments, and therefore the more risk you can afford to take for potentially higher gains. The closer you are to retirement, the less risk you may be willing to take.
- Consider the effects of inflation and taxes on your investment return. A “safe” investment with a modest return may not cover the cost of inflation and taxes — which would, effectively, cost you money.

Then, be an informed investor. For information about investment strategies such as diversification and dollar-cost averaging, as well as more detailed information about the TSP funds, read the *Guide to TSP Investments*, which is available from your personnel office, the TSP Service Office, or the TSP Web site. Then use the information to help you decide how to allocate your contributions.

## Distributing your money among the TSP funds

You have two ways of distributing your money among the five TSP investment funds:

A **contribution allocation** directs the **money going into your account** to the fund(s) of your choice.

An **interfund transfer** redistributes the **money already in your account** among the investment funds in the proportions you choose. You may want to make an interfund transfer to “rebalance” your account when gains or losses in the funds have changed the proportions you had chosen as part of your investment strategy.

You can make a contribution allocation or interfund transfer using any of the following methods:

- Accessing your account on the TSP Web site at [www.tsp.gov](http://www.tsp.gov)
- Calling the ThriftLine — (504) 255-8777
- Completing Form TSP-50, Investment Allocation, and mailing it to the TSP Service Office

You will need your Social Security number and your 4-digit TSP PIN to use the Web or the ThriftLine. If necessary, you can make your contribution allocation or interfund transfer by calling the ThriftLine and speaking directly to a participant service representative. (For information on how to change the *amount* you are contributing, see page 1.)

## Reviewing your investment strategy

You should periodically review your investment strategy in light of changes in your personal situation (marriage, divorce, births, etc.), your tolerance for risk, your time horizon, your retirement needs, and your other sources of retirement income. You should then decide whether you want to change the amount you are contributing to the TSP or the proportions you are investing in each of the TSP funds.



## Monitoring Your Account

**To find out your account balance**, you can review your quarterly participant statements and access your account information on the TSP Web site or the ThriftLine. (You can find out the number of shares of each investment fund you own, as well as the dollar value of your investments.) Your quarterly participant statement will be available by mail and on the TSP Web site.

Under the new system, your account is valued on a daily basis; however, that does not mean you need to monitor it daily, nor that you should react to daily market changes by making frequent changes to your contribution allocation or frequent interfund transfers. The TSP is a long-term investment plan, and your investment decisions should reflect this.

**To find out whether your account information is correct**, you should check your participant statement to ensure that:

- Your personal information (name, address, Social Security number, date of birth, etc.) is correct
- You have a current beneficiary designation on file (if you filed one)
- The correct amount of contributions is being deposited each pay period
- Payments on any loans you may have are being deposited, and in the correct amount
- Any transactions (interfund transfers, loans, withdrawals, adjustments, etc.) have been properly recorded

**To correct or update your account information:**

- **If you are a current Federal employee**, have your agency make any corrections to your TSP account record. To correct or change your beneficiary designation, however, send a revised Form TSP-3 directly to the TSP Service Office.

- **If you are a separated participant**, make name and address corrections yourself on the Web site, or send Form TSP-9, Change of Address for Separated Participant, or Form TSP-15, Change in Name for Separated Participant, to the TSP Service Office. (Note: If you submit a post-separation withdrawal form with your new address, it will automatically change the address in your TSP record.) These forms are available from the TSP Service Office and the Web site. For corrections to other TSP data, contact the TSP Service Office.
- **If you have a TSP loan and are placed in nonpay status**, make sure that your agency informs the TSP. If the TSP has not been informed of your nonpay status, you could be subject to a taxable distribution of your outstanding loan balance (plus interest). This would mean that you could not repay your loan and would be liable for taxes on the amount of the distribution, as well as a possible tax penalty for early withdrawal.
- **If you change agencies (or payroll offices)**, make sure that your TSP contributions (and your loan payments, if any) continue once you have transferred. Report any errors to your new payroll office immediately, and follow up.

## Getting Your Money Out

If you are married, spouses' rights requirements apply to TSP loans and withdrawals. (See the Plan Summary.) If you are a CSRS or FERS participant and you do not know your spouse's whereabouts, or if you are a FERS participant and you cannot obtain your spouse's signature, you will need to submit Form TSP-16, Exception to Spousal Requirements.

## Borrowing from your account

At some point, you may decide to take a loan from your TSP account for general purposes or to purchase your primary residence. Before doing so, read the booklet *TSP Loan Program*, available from your personnel office or the TSP Web site. In particular, read the section "Cost of a TSP Loan," which will help you decide whether your TSP account is your

best option for borrowing money. Even though your loan payments go back into your TSP account, taking a loan will have an effect on your TSP balance at retirement.

You can also use the Loan Calculator on the TSP Web site to estimate what your loan payments (including interest) would be under different scenarios.

You can apply for a loan on the TSP Web site or by completing Form TSP-20, Loan Application. Depending on your situation and the purpose of the loan, you may be able to complete the application process on-line. If you cannot complete it on the Web site, you can print out a Loan Agreement, complete it, provide any required documentation, and mail it to the TSP Service Office.

A general purpose loan must be repaid within 5 years; a residential loan within 15 years. However, you may pre-pay part or all of your loan at any time. You can also reamortize your loan at any time, provided you do not exceed the repayment time limits for the type of loan you have. See the loan booklet for details.

You can find out your outstanding loan balance and request a reamortization on the TSP Web site or by calling the TSP Service Office.

## **Making an in-service withdrawal**

You can withdraw money from your account while you are still employed by the Federal Government under two circumstances:

- If you are 59½ or older, you may make a one-time, age-based in-service withdrawal.
- If you have a financial hardship, you may make a financial hardship in-service withdrawal (limited to one every 6 months).

An in-service withdrawal permanently depletes your TSP account, so you should consider it very carefully. Remember that money you withdraw before retirement will not be available later. Before applying, read the booklet *TSP In-Service Withdrawals*, which is available from your personnel office or the TSP Web site.

Different rules and requirements apply to each type of in-service withdrawal. For example, if you make an age-based withdrawal, you will not be eligible for a partial withdrawal after you separate from service. (See below.) If you make a financial hardship withdrawal, you cannot contribute to your account for 6 months, which means (if you are a FERS employee) that you will not receive Agency Matching Contributions during that time. In addition, you must pay taxes on money you withdraw from your account (and an early withdrawal penalty tax on money you withdraw before age 59½).

You can apply for an age-based in-service withdrawal on the TSP Web site or by completing Form TSP-75, Age-Based In-Service Withdrawal Request. Depending on your situation, you may be able to complete an age-based in-service withdrawal on the Web. If you cannot, you can print out the partially completed form, complete it, and mail it to the TSP Service Office. You can have the TSP transfer part or all of an age-based in-service withdrawal to a traditional IRA or eligible employer plan.

For a financial hardship in-service withdrawal, you can apply on the TSP Web site or by completing Form TSP-76, Financial Hardship In-Service Withdrawal Request. Again, depending on your situation, you may be able to complete this withdrawal request on the Web. If not, you can print out the partially completed form, complete it, and mail it to the TSP Service Office.

## Dealing with your account after you separate from service

After you separate from service, you have a number of options. You can:

- **Leave your money in the TSP.** If you are younger than 70½ when you separate or retire, you can leave your money in the TSP so long as your account balance is \$200 or more. If it is less than \$200, it will automatically be paid to you in a single payment. You will not be allowed to keep it in the TSP.

If you have both a civilian and a uniformed services TSP account and you separate from Federal civilian service or from the uniformed services, or from both, you may combine your TSP accounts. Use Form TSP-65, Request to Combine Uniformed Services and Civilian TSP Accounts.

You must withdraw your account (or begin receiving monthly payments) by April 1 of the year following the year you turn 70½ and are no longer in Federal service.

- **Make a partial withdrawal.** If you are eligible to leave your money in the TSP but want access to some of it, you may make a one-time withdrawal of a portion of your account in a single payment. However, you cannot make a partial withdrawal if you previously made an age-based in-service withdrawal. You may initiate (and, in some cases, complete) a partial withdrawal on the TSP Web site, or complete Form TSP-77, Request for Partial Withdrawal When Separated, and mail it to the TSP Service Office.
- **Make a full withdrawal.** There are three basic methods for withdrawing your entire TSP account:
  - a single payment
  - monthly payments
  - an annuity purchased for you by the TSP

You can withdraw your account using any one or any combination of these methods. (A withdrawal combining any two or all three methods is a “mixed withdrawal.”)

You can use the Annuity Calculator on the TSP Web site to find out what your annuity payments could be under different scenarios.

Once you have decided how to withdraw your account, you may initiate (and, in some cases, complete) a full withdrawal on the TSP Web site, or complete Form TSP-70, Request for Full Withdrawal, and mail it to the TSP Service Office.

You can have the TSP transfer part or all of a partial withdrawal or certain types of full withdrawals to a traditional IRA or eligible employer plan.

If you choose monthly payments, you can change where your payments are going or receive a final single payment at any time. You will also have an annual opportunity to change the amount you are receiving.

Read more about your withdrawal options in the Plan Summary and in the booklet *Withdrawing Your TSP Account After Leaving Federal Service*, available from your personnel office or the TSP Web site.

Other things to keep in mind after you separate:

- Your agency is no longer your contact for your TSP account. Instead, you will deal directly with the TSP Service Office. (See back cover.)
- Keep your personal information (and your beneficiary information, if applicable) in your TSP account record up to date. (See page 7.) Otherwise, you may not receive important TSP mailings, including checks.
- Keep track of your account and make your withdrawal election in plenty of time. If you do not withdraw or begin withdrawing your TSP account by April 1 of the year following the year in which you turn 70½, your account will be considered abandoned. Although you can reclaim it, earnings will no longer accrue to your account.

## **Sources of information about your TSP account:**

Your agency personnel office

TSP Web site: [www.tsp.gov](http://www.tsp.gov)

ThriftLine: (504) 255-8777  
(not a toll-free number)

TSP Service Office  
National Finance Center  
P.O. Box 61500  
New Orleans, LA 70161-1500  
Telephone: (504) 255-8777  
TDD: (504) 255-5113



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